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SUBJECT: U.S. Industry Promotes Transparent Standards System in Shenzhen Symposium

(U) This document is sensitive but unclassified. Please protect accordingly.

**¶11.** (SBU) Summary and comment: Representatives from Intel, Qualcomm, and Cisco encouraged China to adopt a transparent, market-oriented standards development process during a DOC-hosted seminar on standards and IPR in Shenzhen on September 21. Chinese industry attendees, who have a generally sophisticated understanding of standards issues, were supportive of the U.S. approach. Comment: We are encouraged that Chinese companies not only showed up to the event but also spoke positively of an open standards-setting system. Domestic companies that are interested in competing internationally seem to be in favor of an industry-led approach. End summary and comment.

**¶12.** (SBU) The U.S.-China Standards and IP Symposium in Shenzhen, co-hosted by the U.S. Department of Commerce (DOC) Trade Facilitation Office and the Standards Administration of China (SAC) - with support from the U.S. Embassy in Beijing and the U.S. Consulate General in Guangzhou - replayed many of the same themes, i.e., the relationship between standards and IP and the benefits of the U.S. approach, as at a similar event in Beijing on September 18-19. (Note: Chinese academics and officials are currently debating whether to adopt a compulsory licensing regime. End note).

The Consul General opened the event, stating that an open standards-setting process that protects the rights of IP holders would benefit China by fostering innovation and encouraging investment.

U.S. Industry Makes the Case

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**¶13.** (SBU) Earl Nied, Intel's Program Director for Standards and a member of the American National Standards Institute, pointed out that the United States has a standards system that is voluntary and led by industry. Indeed, U.S. law requires federal agencies to use "voluntary consensus standards" for regulatory and procurement activities. The U.S. government imposes mandatory standards only in cases that affect public health and safety and does not use them to protect domestic industries.

**¶14.** (SBU) Greg Shea, President of the United States Information Technology Office, an industry association, said China is generally moving in the direction of an open, international-based standards system. However, China's standards-setting process is still characterized by a "strong government presence," lack of transparency and inter-agency coordination, and protectionism. Foreign companies are limited to observer roles. Shea encouraged more Chinese participation in global standards bodies.

Audience Engaged on the Issues

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¶15. (SBU) A case study session focused on the benefits and drawbacks of joining standards development organizations (SDO) for a company that has a new technology. The panelists - among them Intel's Earl Nied; Cisco's Gil Ohana, Director of Antitrust and Competition; and Qualcomm's Kent Baker, Director of Global IP Policy and Compliance - said that issues to consider include the duration of the development period, the SDO's licensing requirements, and the potential benefits of going it alone. Generally, they said, companies benefit by gaining market share when their technologies are used in new standards.

¶16. (SBU) Audience participants included small business owners and representatives of large domestic and foreign-invested companies. Some audience members noted that the potential benefits of SDOs include the learning opportunities to be gained from other members and the increased brand recognition that may result. The drawbacks include the possibility of no royalty payments and the costs of joining the organization. The important point, the panelists noted, is that the company can choose which route to take. Huawei's Director of Industry Standards said that Huawei is involved in more than 130 standards-setting bodies, approximately half of which are domestic.

¶18. (U) Embassy Beijing has approved this cable.

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